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July 2005

CB-05-11

Subject: New Process for Federal Perkins Loan Program Default Reduction Assistance Program

Summary: This letter provides information on changes to the process by which schools participate in the Default Reduction Assistance Program.

Dear Colleague:

The Default Reduction Assistance Program (DRAP) assists schools in bringing defaulted Federal Perkins Loan (Perkins Loan) borrowers into repayment. Specifically, we mail a letter, using the Department of Education's (the Department's) letterhead, to a borrower identified by a school as being in default on repayment of a Perkins Loan. This letter informs the Perkins Loan borrower of the serious consequences of default and encourages him or her to contact the school to initiate repayment arrangements.

The intent of the DRAP is to get the defaulted Perkins Loan borrower back into repayment before the account goes to a collection agency. Therefore, a school should not request this service once the account has been referred to a collection agency. DRAP service is usually provided during the 30-day period when the school is waiting for the defaulted borrower to respond to the final demand letter.

Participation in the DRAP is at no cost to a school and is completely voluntary. Participation in this program may significantly reduce the number of defaults and the cohort default rate for the school.

To improve the DRAP for schools, we will be implementing changes to the DRAP process. These changes will eliminate the need for a school to manually request a DRAP package, create a DRAP file, and send the file to the Department via the Student Aid Internet Gateway (SAIG). The questions and answers that follow explain the new fully electronic DRAP process.

Q1: What changes will be made to the DRAP process?

A1: The DRAP process, and its related functions, will be initiated via the eCampus-Based (eCB) Web site. Under the new process, a school or its third party servicer will log in to the eCB Web site and enter information about borrowers who have defaulted on their Perkins Loans. The information may be entered for each borrower or it may be uploaded from a file. Following submission of this information, a letter will be printed and mailed by the Department to each borrower. As explained above, the letter will be

printed on the Department's letterhead and will encourage the borrower to contact the school to initiate repayment arrangements.

Q2: When will the new electronic DRAP process begin?

A2: The new DRAP process is expected to begin in late July 2005. Until then, a school or its third party servicer may continue to submit borrower data using the current process. However, we strongly encourage schools and third party servicers *to hold any data not submitted by July 13, 2005, until the new process is available.*

Q3: How do we access DRAP on the eCB Web site?

A3: To access the DRAP section of the eCB Web site, log in to the eCB Web site at www.cbfisap.ed.gov, and then select the "DRAP" link on the top navigation bar. From that point, you will follow the instructions for performing the identified functions.

Q4: What are some of the features of the new electronic DRAP process?

A4: A school or its third party servicer will be able to do the following:

- 1) Maintain borrower information;
- 2) Edit DRAP contact information without the Department's intervention;
- 3) Update borrower information, such as his or her address;
- 4) Run a report that assists in monitoring the letters mailed to borrowers;
- 5) Run a report that assists in tracking the total number of letter requests submitted;
- 6) Determine when a letter was mailed by the Department; and
- 7) Determine if a letter was returned to the Department as "undeliverable" and if an address has been determined to be invalid.

Q5: What will happen when a letter mailed to a borrower is returned as "undeliverable" to the Department?

A5: Through the DRAP, we will send only one letter to a particular address. A school will be informed in the DRAP section of the eCB Web site of all letters determined to be "undeliverable." Following this determination, the school or its third party servicer can update the borrower's address with a more current address. After a different address has been submitted by the school or the third party servicer, a second letter will be mailed to the borrower.

Q6: What if we do not have an updated address for a borrower?

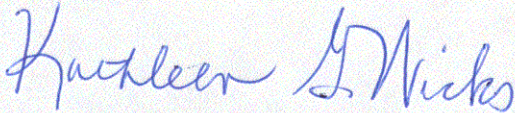
A6: Another program offered at no cost to a Perkins Loan school is the IRS Skiptracing Program. Its function is to provide schools with updated addresses for borrowers who may have relocated. A school must contact Rhonda Herbert by e-mail at Rhonda.Herbert@ed.gov to become a participant in this program.

Q7: What if we have additional questions about the new electronic DRAP process?

A7: For additional information about the new DRAP process, contact the Campus-Based Call Center at 877/801-7168. Customer service representatives are available Monday through Friday from 8:00 A.M. until 8:00 P.M. (ET).

We look forward to working with schools under the new DRAP process.

Sincerely,

A handwritten signature in blue ink that reads "Kathleen G. Wicks". The signature is fluid and cursive, with the first name "Kathleen" and last name "Wicks" clearly legible, and "G." as a middle initial.

Kathleen Wicks, Acting Director
Campus-Based Systems and Operations Division
Federal Student Aid